

Request for City Council Committee Action

Date: March 25, 2002

To: Community Development Committee

Prepared by Randal Hemmerlin, Phone 612-673-5075

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Preliminary intent to undertake and to issue tax exempt revenue bonds, subject to conditions, in the amount of \$8,000,000 for the Gateway Real Estate LLC-West River Commons Project.

Previous Directives: On October 17th, 2001, the Operating Committee approved the MCDA staff to continue analysis of the Gateway Real Estate LLC proposal, to negotiate terms and conditions of a real estate contract with Gateway Real Estate LLC, and to prepare a redevelopment plan/modification and tax increment financing plan/modification as described in the report.

Neighborhood Group Notification: Longfellow Community Council has reviewed the proposal and approved it on August 2, 2001.

Consistency with *Building a City That Works*: Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the city. Objective A: Preserve and expand the number of affordable housing units throughout the city.

Comprehensive Plan Compliance: Complies.

Zoning Code Compliance: Complies.

Impact on MCDA Budget: (Check those that apply)

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Living Wage / Business Subsidy: Not applicable.

Job Linkage: Not applicable.

Affirmative Action Compliance: Not applicable.

Recommendation: The Executive Director recommends that the City Council adopt the attached Resolution granting an indication of Preliminary Intent to

undertake the Project and to issue tax exempt revenue bonds for the Gateway Real Estate LLC-West River Commons Project.
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Background/Supporting Information

Site - The site consists of two parcels located at 4610 and 4630 East Lake Street. The developer is acquiring all of the necessary parcels privately. The site is approximately 44,900 total square feet.

Development Entity – Gateway Real Estate, LLC has been organized to own, redevelop, operate and hold for long term investment, a new mixed use building on the subject property. The general partners are The Lander Group, INC. a Minneapolis based development company, and @ Home Apartments, a St. Paul based apartment owner and manager, @ Home Apartments owns and manages the 36 unit apartment building directly across from the street from the subject property.

Proposed Development - The project involves the demolition of the existing buildings on the site and the construction of a new three and four story mixed use building with underground parking for 66 cars. The project will transition to the parkway with a new neighborhood and gateway park.

The mixed-use building will feature 53 rental apartment units, of which 12 are to be designated as affordable housing units. The project will also construct three new town homes for sale to private individuals at a price of approximately \$280,000 each, and approximately 8,000 square feet of neighborhood service commercial on the easterly side of the project. Proposed use of the commercial space includes a restaurant and coffee shop.

It is the purpose this Resolution to evidence the commitment of the parties and their intentions with respect to the proposed Project in order that the Company may proceed without delay with the commencement of acquisition, contraction and equipping of the Project with the assurance that there has been sufficient “official intent” within the meaning of Treasury Regulations Section 1.150-2(d) to permit Project costs incurred within 60 days prior to the date of adoption of this Resolution to be financed by the issuance of multifamily revenue bonds to finance the entire cost of the Project upon agreement being reached as to the ultimate details of the Project and its financing.

Staff will return to the City Council for the required public hearing and preliminary and final bond approvals once the Project has all the necessary developmental components in place.

Reciting a proposal for a multifamily housing development project, taking official action with respect thereto, and indicating preliminary intent, subject to certain conditions, to assist the financing of the project pursuant to Minnesota Statutes, Chapter 462C.

WHEREAS,

(a) The City is authorized pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Act") to finance the making or purchasing of loans with respect to multifamily housing developments within the boundaries of the City of Minneapolis (the "City") through the issuance of revenue bonds;

(b) Pursuant to the Act, the full faith and credit of the City will not be pledged to the payment of the principal of, premium, if any, and interest on the revenue bonds;

(c) The City has received a proposal from Gateway Real Estate, L.L.C., a Minnesota limited liability company (the "Company"), that the City assist in financing a Project hereinafter described, through the issuance of revenue bonds in the maximum aggregate principal amount of approximately \$8,000,000 (hereinafter referred to in this resolution as "Revenue Bonds") pursuant to the Act and in accordance with a housing finance program prepared with respect to the Project;

(d) The undertaking of the proposed Project and the issuance of the Revenue Bonds to finance the cost thereof will further promote the public purposes and legislative objectives of the Act by expanding and assisting the multifamily housing operations of the Company in the City;

(e) The Project to be financed by the Revenue Bonds is the acquisition, construction and equipping of a 53-unit multifamily housing facility to be known as West River Commons to be located at the north side of East Lake Street between 46th Avenue North and West River Parkway in the City (the "Project").

(f) The City has been advised by representatives of the Company that conventional, commercial financing to pay the capital cost of the Project is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced;

(g) No public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Minneapolis, Minnesota, as follows:

1. The Council hereby indicates its preliminary intent to undertake the Project pursuant to the Act and to issue the Revenue Bonds in the maximum aggregate principal amount of \$8,000,000 pursuant to the Act to finance the Project. Such preliminary intent is expressly conditioned upon the Company providing evidence to the City and its staff that additional funds are available to the Company to finance the Project, including, among other things, tax increment financing and block, brownfields and other forms of grants and upon agreement between the Company and the City as to the scope and components included in the Project (collectively, the "Conditions").

2. On the basis of information available to the City it appears, and the City hereby finds, that the Project constitutes a multifamily housing development within the meaning of Section 462C.05 of the Act; that the availability of financing under the Act and the willingness of the City to furnish such financing will be a substantial inducement to the Company to undertake the Project, and that the effect of the Project, if undertaken, will be to encourage the provision of multifamily rental housing opportunities to residents of the City at a reasonable cost.

3. The City hereby gives preliminary approval of the Project and, subject to the Conditions, the issuance of the Revenue Bonds. The City staff is hereby authorized to cause to be prepared and published a notice of public hearing with respect to the Project.

4. The issuance of the Revenue Bonds by the City is subject to the Conditions, consideration of any comments presented at the public hearing, and final approval by this Council, the Company, and the purchaser of the Revenue Bonds as to the ultimate details of the financing of the Project.

5. The Company has agreed and it is hereby determined that any and all costs incurred by the City in connection with the financing of the Project whether or not the Project is carried to completion and whether or not approved by the City will be paid by Company.

6. Nothing in this resolution or in the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds on the Project other than the revenues derived from the Project or otherwise granted to the City for this purpose. The Revenue Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holder of the Revenue Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Revenue Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Revenue Bonds shall recite in substance that the Revenue Bonds, including interest thereon, is payable solely from the revenue and proceeds pledged to the payment thereof. The Revenue Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

7. It is the purpose of this resolution to evidence the commitment of the parties and their intentions with respect to the proposed Project in order that the Company may proceed

without delay with the commencement of the acquisition, construction and equipping of the Project with the assurance that there has been sufficient "official intent" within the meaning of Treasury Regulations Section 1.150-2(d) to permit Project costs incurred within 60 days prior to the date of adoption of this Resolution to be financed by the issuance of multifamily revenue bonds to finance the entire cost of the Project upon agreement being reached as to the ultimate details of the Project and its financing.